

Message Text

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FOLLOWING REPEAT ABIDJAN 3078 ACTION DEPT TREASURY
INFO SECSTATE 28 MAR 77

QUOTE

UNCLAS ABIDJAN 3078

AFDF

DEPT PASS NAC AGENCIES

E.O. 11652: N/A

TAGS: AFDB, EFIN, EAID

SUBJ: PROPOSED AFDF LOAN TO FINANCE THE THIRD

HIGHWAY PROJECT: HARGEISA-BOROMA ROAD IN SAMALIA

1. SUMMARY: AFDF MANAGEMENT PROPOSES 5 MILLION FUND UNIT OF ACCOUNT (FUA EQUAL TO US \$1.11) LOAN TO GOVERNMENT OF SOMALI DEMOCRATIC REPUBLIC TO FINANCE A PORTION OF SOMALIAN THIRD HIGHWAY PROJECT. PROJECT INCLUDES CONSTRUCTION OF APPROXIMATELY 132 KM OF ALL-WEATHER ROAD, FEASIBILITY STUDY FOR AN ADDITIONAL 380 KM OF ROAD, AND TECHNICAL ASSISTANCE TO STRENGTHEN THE EXECUTING AGENCY, CIVIL ENGINEERING DEPARTMENT (CED), MINISTRY UNCLASSIFIED

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OF PUBLIC WORKS. TOTAL COST OF PROJECT ESTIMATED AT FUA 27.28 MILLION TO BE CO-FINANCED BY AFDF, ARAB FUND FOR ECONOMIC AND SOCIAL DEVELOPMENT, IDA, ISLAMIC DEVELOPMENT BANK (IDB), AND GOVERNMENT OF SOMALIA.

2. AFDF DOC BD/77/27 AND ATTACHMENTS DESCRIBING LOAN POUCHED TO ADDRESSEES MAR 28. BOARD CONSIDERATION SCHEDULED APRIL 4.

3. AFDF MANAGEMENT PROPOSES FUA 5 MILLION LOAN TO GOVT OF SOMALIA TO FINANCE PORTION OF A) CONSTRUCTION AND CONSULTANCY SUPERVISION OF CONSTRUCTION OF HARGEISA-BOROMA ROAD (APPROX 113 KM) AND A LINK ROAD FROM NABADID TO TUG WAJALE (APPROX 19 KM); B) FEASIBILITY AND DETAILED ENGINEERING STUDIES OF DINSOR-BARDERA-GELIB ROAD (APPROX 380 KM); AND C) TECHNICAL ASSISTANCE PROVIDED TO CED. AFDF FUA 5 MILLION LOAN WILL BE USED TO FINANCE 21 PERCENT OF THE COST OF THE CONSTRUCTION OF THE HARGEISA-BOROMA ROAD. ROAD CONSTRUCTION COSTS TOTAL FUA 23.96 MILLION. APPROX FUA 1 MILLION OF AFDF LOAN WILL BE USED TO MEET LOCAL COSTS. AFDF LOAN WILL MEET APPROX 18 PERCENT OF TOTAL PROJECT COSTS. ARAB FUND WILL PROVIDE APPROX 26 PERCENT OF OVERALL PROJECT FINANCING, IDA APPROXIMATELY 23 PERCENT, IDB APPROXIMATELY 25 PERCENT, WITH THE GOS PROVIDING APPROX 7 PERCENT. LOAN DISBURSEMENTS TO BE ON A PRO-RATA BASIS. AFDF LOAN PROPOSED AT 50 YEARS AMORTIZATION INCLUDING 10 YEARS GRACE, 0.75 PERCENT SERVICE CHARGE. GOVERNMENT OF SOMALIA TO BE BORROWER, CIVIL ENGINEERING DEPARTMENT EXECUTING AGENCY. GOS TO MEET ALL COST OVERRUNS. ALLOWANCE FOR PHYSICAL CONTINGENCIES AND PRICE ESCALATION IS EQUIVALENT TO 25 PERCENT OF CONSTRUCTION AND SUPERVISION COSTS. PROCUREMENT FOR AFDF FINANCED COMPONENTS TO BE BY INTERNATIONAL COMPETITIVE BIDDING IN ACCORDANCE WITH AFDF PROCEDURES. FIRST AFDF DISBURSEMENT CONTINGENT ON GOS HAVING SIGNED FINANCING AGREEMENTS WITH THE ARAB FUND, IDA, AND IDB.

4. AT THE REQUEST OF THE SOMALI GOVT, IN 1966, THE UNDP FINANCED A TRANSPORT STUDY OF THE COUNTRY. THE STUDY IDENTIFIED A NUMBER OF ROADS FOR DEVELOPMENT, AND AS A RESULT, UNCLASSIFIED

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THE AFDB JOINED WITH IDA IN 1971 TO FINANCE THE SECOND HIGHWAY DEVELOPMENT PROGRAM. UNDER THIS PROGRAM, THE FEASIBILITY STUDY AND THE SUBSEQUENT DETAILED ENGINEERING STUDIES OF THE HARGEISA-BOROMA ROAD, INCLUDING A SPUR TO TUG WAJALE, WERE CARRIED OUT. THE STUDIES WERE COMPLETED IN 1976. BASED ON THE RESULTS OF THESE STUDIES, THE GOS, WITH ASSISTANCE FROM THE WORLD BANK, FORMULATED THE THIRD HIGHWAY PROJECT.

5. THE PRESENT HARGEISA-BOROMA ROAD IS LOCATED ON THE PLATEAU WEST OF HARGEISA FROM WHERE IT RUNS TO ARAPIO, NABADID AND BOROMA, WITH A SPUR FROM NABADID TO TUG WAJALE. HARGEISA IS LINKED TO THE PORT OF BERBERA BY A BITUMEN STANDARD ROAD. AT PRESENT, THERE ARE TWO EARTH TRACKS FROM HARGEISA TO NABADID, BOTH OF WHICH ARE ONLY PASSABLE BY TRUCKS AND FOUR-WHEEL DRIVE VEHICLES DURING MOST OF THE YEAR. THE ROADS BETWEEN NABADID AND BOROMA AND FROM NABADID TO TUG WAJALE ARE OF A SIMILAR NATURE. THESE ROADS CROSS A NUMBER OF DRY RIVER BEDS WHICH ARE SUBJECT TO FLASH FLOODING, CAUSING THE ROADS TO REMAIN CLOSED FOR PERIODS OF UP TO 24 HOURS AT A TIME. SINCE

THE ROADS ARE ONLY DIRT TRACK, MUCH OF THE LENGTH IS IMPASSABLE AFTER RAIN. TRUCKS CANNOT BE USED TO TRANSPORT LIVESTOCK ALONG THESE ROUTES, BECAUSE THEY ARE SO ROUGH THAT THE ANIMALS WOULD SUSTAIN SEVERE DAMAGE.

6. THE PROPOSED HARGEISA-BOROMA ROAD WILL GENERALLY FOLLOW EXISTING ROUTE. THE MAJOR STREAMS WILL BE CROSSED BY SUMBER-SIBLE CROSSINGS, INSTEAD OF BRIDGES. IT IS EXPECTED THAT THESE TYPES OF CROSSINGS WILL PERMIT TRAFFIC DELAYS TO BE CUT TO A FEW HOURS FOLLOWING RAINFALLS. THE HARGEISA-BOROMA ROAD WILL BE BUILT WITH A BITUMINOUS SURFACE 6.5 M WIDE WITH 1.25 M SHOULDERS. CROSS-DRAINAGE WORKS WILL CONSIST OF EITHER CORRUGATED METAL PIPES OR REINFORCED CONCRETE BOX CULBERTS. CONSTRUCTION OF THE ROAD IS EXPECTED TO COMMENCE IN MID-1977 WITH COMPLETION EXPECTED DECEMBER 1979.

7. THE AREA OF INFLUENCE OF THE PROJECT ROAD COVERS THE UNCLASSIFIED

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PLATEAU IN THE NORTHWESTERN REGION. THE TOTAL POPULATION OF THE NORTHWESTERN REGION IS ESTIMATED TO BE 300,000 INCLUDING HARGEISA, WHICH ALONE HAS A POPULATION OF 95,000. THE MAJORITY OF THE POPULATION ARE NOMADS ENGAGED IN LIVESTOCK RAISING. THE HERDS ARE MIXED, COMPRISING CAMELS, GOATS, SHEEP AND CATTLE. THE HERDS ARE SOLD BY THE NOMADS AT LOCAL MARKETS SUCH AS BOROMA AND TUG WAJALE, THEN WALKED TO HARGEISA FROM WHERE THEY CAN BE TRUCKED TO THE PORT OF BERBERA FOR EXPORT. MORE THAN ONE MILLION HEAD OF LIVESTOCK ARE SHIPPED FROM THE PORT EACH YEAR. THE DEVELOPMENT OF THE PROJECT ROAD WILL PERMIT TRUCK TRANSPORT OF THE HERDS FROM THE LOCAL MARKETS TO HARGEISA. THE 100 KM JOURNEY CURRENTLY TAKES SEVERAL DAYS TO WALK, RESULTING IN ANIMAL WEIGHT LOSS OF APPROXIMATELY 12 PERCENT. THE PROJECT ROAD WOULD PERMIT A TRUCK JOURNEY OF SEVERAL HOURS. MUCH OF THE BENEFIT WILL BE DERIVED BY THE NOMADIC HERDERS, SINCE THE GOVERNMENT HAS REGULATED TRUCKING CHARGES AT APPROPRIATE LEVELS.

8. IN 1974 TRAFFIC VOLUME ALONG THE ROUTE TO BE UPGRADED WAS APPROXIMATELY 72 VEHICLES PER DAY. WITH AN ANNUAL GROWTH RATE PROJECTED AT 5 PERCENT, TRAFFIC IS EXPECTED TO REACH A LEVEL OF 92 VEHICLES PER DAY IN 1979, PRIOR TO COMPLETION OF THE NEW ROAD. TRAFFIC CONSISTS OF 41 PERCENT LAND ROVERS, 53 PERCENT TRUCKS, AND 6 PERCENT BUSES. FROM THE TIME OF COMPLETION OF THE NEW ROAD, TRAFFIC IS CONSERVATIVELY ESTIMATED TO INCREASE 5 PERCENT PER YEAR DURING THE FIRST TEN YEARS OF PROJECT LIFE, AND 4 PERCENT THEREAFTER FOR THE DURATION OF THE 20 YEAR PROJECT LIFE. TRUCK TRAFFIC IS EXPECTED TO BE 67 TRUCKS PER DAY IN THE FIRST YEAR OF PROJECT LIFE, INCREASING THEREAFTER AT AN ANNUAL RATE OF FOUR PERCENT. TOTAL

TRAFFIC IS ESTIMATED TO AMOUNT TO 248 VEHICLES PER DAY BY THE TENTH YEAR OF PROJECT LIFE.

9. ECONOMIC BENEFITS ARE EXPECTED TO ARISE FROM SAVINGS IN VEHICLE OPERATING COSTS AND SAVINGS IN LOSS OF WEIGHT AND UNCLASSIFIED

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INJURY TO ANIMALS. ESTIMATED NET BENEFITS FROM SAVINGS IN VEHICLE OPERATING COSTS ARE EXPECTED TO EQUAL FUA 0.54 MILLION IN FIRST YEAR OF PROJECT LIFE, GROWING THEREAFTER IN PROPORTION TO INCREASES IN TRAFFIC VOLUME. IT IS ESTIMATED THAT 500,000 SHEEP AND GOATS AND 72,000 CATTLE WILL BE DRIVEN TO HARGEISA IN FIRST YEAR OF PROJECT LIFE. NET ADDITIONAL INCOME GENERATED BY NEW TRANSPORT SYSTEM OF LIVESTOCK ESTIMATED TO EQUAL FUA 2.44 MILLION IN FIRST YEAR OF PROJECT LIFE, INCREASING BY A RATE OF 4 PERCENT ANNUALLY FOR REMAINDER OF 20 YEAR PROJECT LIFE. MAJORITY OF THESE INCREASED EARNINGS WILL BE IN FOREIGN EXCHANGE GENERATED BY EXPORT OF LIVESTOCK. ECONOMIC RATE OF RETURN ESTIMATED AT 18 PERCENT. IF ANTICIPATED BENEFITS DROP BY 30 PERCENT, RETURN DROPS TO 14 PERCENT. IF COSTS INCREASE BY 20 PERCENT, RETURN DROPS TO 16 PERCENT. STEARNS UNQUOTE VANCE.

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